



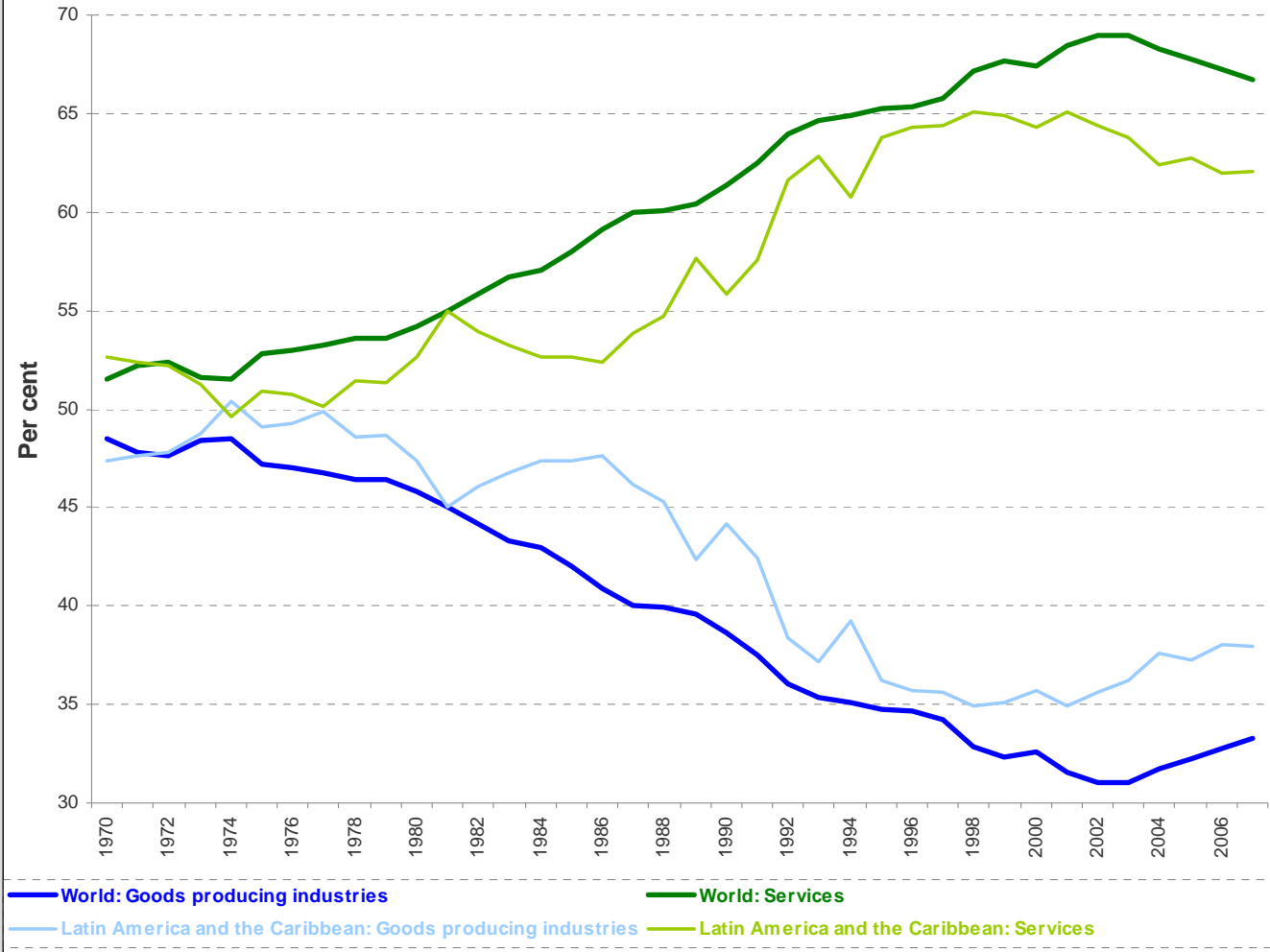
Role and importance of Services Statistics

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UNITED NATIONS STATISTICS DIVISION



Composition of Value Added





Role and Importance of Services ⁽¹⁾

- Contribution of service activities, in terms of VA and employment is steadily increasing
- There is also a demand for internationally comparable data on detailed (structural) and short-term services statistics
- The growing importance of the service providing industries needs to be reflected in the collection of economic statistics on these activities



Role and Importance of Services ⁽²⁾

- Structure and performance of the services industries vary widely from one country to another
 - Common features - large number of units and relatively high births and deaths rates
 - Informal sector units - typical for developing countries; complicate statistical observation



Trends in Services ⁽¹⁾

- Increasing concentration
 - Companies need to be large to compete and achieve economies of scale and scope
 - Concentration first at the domestic market, then abroad
- Formation of joint purchasing groups
 - Food retailers are signing agreements with major food producers to more effectively compete with others – franchising, retail chains etc.
- Expansion of E-commerce
 - Strong growth of both B2B and B2C e-commerce worldwide



Trends in Services ⁽²⁾

- Frequent vertical integration of the wholesale and retail trades, with growing sales of own-brand products
 - Traditional distinction between wholesale and retail distribution is becoming increasingly difficult to make
 - Manufacturers, wholesalers and retailers, which were traditionally independent now increasingly co-operate
- Increasing internationalisation



Trends in Services ⁽³⁾

- Appearance of new economic developments
 - Integration of distribution chains
 - Growing importance of groups of enterprises
 - Success of such modes of association as franchising
 - Growing role of shopping centres
 - Expansion of electronic commerce
 - Globalization (incl. outsourcing)
 - Persistent importance of informal sector in less developed countries



Trends in Services ⁽⁴⁾

- Experience of countries in implementation of integrated approach to compilation of basic economic statistics
- Consistency with concepts, definitions and terminology used in statistical publications and regulations of other international organizations
 - UNSD - publication of IRDTS and IRIS
 - Eurostat - statistical business register and regulations on short-term and structural business statistics
 - OECD - measurement of non-observed economy, compilation of index of service production, business demography and data and metadata reporting and presentation
 - ILO - international classification of status in employment, statistics of employment in the informal sector, and working time measurement



Challenges of compiling services statistics

- Need of integrated approach to compilation of services statistics at national level
 - Ensures coherence between:
 - Annual and short-term statistics
 - Data derived from different data sources
 - Services statistics and statistics for other economic activities
 - Services statistics and NA
 - Ensures consistency of concepts definitions and terminology
 - Ensures uniformity in international reporting



Challenges of compiling services statistics ⁽²⁾

- Description of data sources and data compilation methods with discussion on:
 - Various types of statistical and administrative data sources
 - Business register and its use as a frame for statistical surveys
 - Data compilation methods – validation, editing, etc.

- The need for an outline of a data collection strategy for different segments of the economy based on an integrated approach



Challenges of compiling services statistics ⁽³⁾

- Time-series statistics and the need for seasonal adjustments
- Reconciliation of short-term with annual data (benchmarking)
- Boundary issues



Boundary issues ⁽¹⁾

- Boundary between wholesale and manufacturing
 - Outsourcing of production - when the principal unit (i.e. principal) contracts another productive unit (i.e. the contractor) to carry out specific aspects of the production activity of the principal, in whole or in part in the production of a good or a service
 - Activity classification of the contractor – straightforward, does not change with the outsourcing
 - Activity classification of the principal - affected by the nature and extent of the outsourcing, requires conventions for a consistent treatment



Boundary issues (2)

■ Types of outsourcing

1. *Outsourcing of support functions* - the principal (wholesaler or retailer) carries out the resale of goods and services, but outsources certain support functions, such as accounting or computer services, to the contractor
 - Principal remains classified to the respective ISIC class of section G that represents the core production process
 - Contractor is classified to the specific support activity it is carrying out, e.g. ISIC class 6920 or 6202

2. *Outsourcing parts of the production process* - the principal (manufacturer) outsources a part of the production process, but not the whole process, to the contractor as the principal owns the material inputs to be transformed by the contractor and thereby has ownership over the final outputs
 - Principal is classified in the appropriate manufacturing class of ISIC as if it were carrying out the complete production process
 - Contractor is classified according to the portion of the production process he is undertaking



Boundary issues ⁽³⁾

■ Types of outsourcing (cont.)

3. *Outsourcing of complete production process*

- *Outsourcing of service producing activities, including construction*
 - Both the principal and the contractor are classified as if they were carrying out the complete service activity support functions
- *Outsourcing of manufacturing activities to contractor, when the principal does not physically transform the goods at the location of its unit*
 - Principal owns the material inputs and thereby has economic ownership of the outputs, but has the production done by others - he is classified to *section C (manufacturing) of ISIC, Rev.4*
 - Principal has the production done by others, but does not own the material inputs - should be classified to *section G (distributive trade) of ISIC, Rev.4*
 - Contractor is classified always to *section C (manufacturing) of ISIC, Rev.4*



Boundary issues ⁽⁴⁾

- Boundary between retail trade and financial services
 - Units offering purchases on credits (consumer credit lines) to customers
 - Two separate units should be identified when the originator and holder of a consumer credit is a retail trade unit that has a separate establishment dealing with consumer credits
 - Unit providing consumer credits should be statistically observable (i.e., separate accounts of its activity are available)
 - Both units will be classified in their own rights – non-financial (trade unit) and financial (consumer credit unit)
 - One unit should be defined if the unit providing consumer credits is not statistically observable separately
 - Unit providing consumer credits should be treated as an ancillary activity and will not affect classification of that unit in distributive trade



Users of services statistics

- Compilers of national accounts
 - Measuring output and valued added
 - Compilation of supply and use tables and input-output tables
 - Trade margins by commodity and by industry
 - Combination and reconciliation of expenditure and production statistics
 - Estimation of households final consumption expenditures on the basis of retail trade sales by commodity groups
 - Compilation of quarterly national accounts using short-term indicators
 - Compilation of monthly or quarterly index of services production



Users of services statistics⁽²⁾

- Policy makers
 - Assessment of short and long-term movements in a country's economy as a whole
 - Rationalization of economic policies, including monetary policy
 - Sub-national (regional/provincial) analysis
 - Formulation of international policy
- Business community
 - Assessment and forecasting of the dynamics of markets
 - Evaluation of performance and competitiveness of various sub-sectors both nationally and internationally
- Researchers
 - Economic analysis and studies
 - Monitoring of economic trends and developing forecasts
 - Market research for the sales of particular group of products etc.
- General public
 - Evaluation of economic conditions, employment and income perspectives in order to make more informed decisions



Need of performance indicators ⁽¹⁾

- Increased demand for information to the status of businesses
- Conventional data items to analyze the structure and production activity of businesses are not sufficient for direct use in policy or management decisions



Need of performance indicators ⁽²⁾

- Performance indicators make it possible to evaluate performance in terms of:
 - Profitability
 - Productivity
 - Efficiency
- The list of performance indicators cannot be definitive. Why?
 - Diversity of users needs that may change over time
 - Different countries circumstances



Objectives

- Performance indicator is:
 - Policy relevant variable
 - Number
 - Quantitative description

- In practice, a performance indicator can be:
 - Any ratio that summarizes two or more important measurements which is tied directly to the performance rather than the activity of a unit or a sector



Users and uses

- Policy makers and economic planners
 - Evaluation of the effectiveness of the trade activity organization
 - Identification of potential areas of improvement
 - Making more informed strategic decisions regarding future developments
- Academicians and researchers
 - Making comparisons across countries and industries and over time
 - Identification of factors leading to better performance
- Businesses
 - Assessment of business environment in which retailers and wholesalers operate
 - Development of performance measurement programmes
 - Identification and setting the long-term trends in performance and measuring the progress



Types of performance indicators

- Growth rates
- Ratio indicators
- Share indicators



Additional indicators

- Do not necessarily evaluate the performance; rather they are used for monitoring of some specific aspects of organization of activity
- Their compilation requires collection of additional data
- The burden on respondents will be significantly increased
- To be compiled by countries only if their own circumstances warranted the collection of such data



Interpretation of performance indicators

- Performance indicators
 - Are not absolute numbers
 - Acquire meaning in the context of comparison and analysis

- Care should be taken when using performance indicators for comparisons
 - To ensure that the units or phenomena are alike enough to be compared
 - To ensure consistency of definitions and coverage of data items used in the compilation of performance indicators
 - If any, to make the differences explicit



Thank You